To: Argyropoulos, Paul (b) (6) [redacted]
From: Michael (b) (6) [redacted]
Sent: Fri 6/7/2013 4:22:36 PM
Subject: RE: hope you are well

Best, buddy!

Michael McAdams | **Holland & Knight**
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phone 202.469.5140 | Fax 202.955.5564
michael.mcadams@hklaw.com | www.hklaw.com

From: Argyropoulos, Paul [mailto:(b) (6) [redacted]
Sent: Friday, June 07, 2013 12:18 PM
To: McAdams, Michael J (WAS - X75140)
Subject: Re: hope you are well

Thanks Mike. I was on travel and now furlough. All is well. Hope it is with you too. Let me know when you will launch her. I'll get you some cheap champagne!

From: Michael.McAdams@hklaw.com
Sent: Friday, June 07, 2013 11:41:56 AM
To: Argyropoulos, Paul
Subject: hope you are well

Paul, have not spoken in a while, just wanted to say have a great weekend. Boats getting closer.
Best.

Michael McAdams | **Holland & Knight**

President, ABFA
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phone 202.469.5140 | Fax 202.955.5564
michael.mcadams@hklaw.com | www.hklaw.com

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To: Argyropoulos, Paul [redacted]
From: [redacted]
Sent: Fri 6/7/2013 3:41:56 PM
Subject: hope you are well

Paul, have not spoken in a while, just wanted to say have a great weekend. [redacted] getting closer.
Best.

Michael McAdams | **Holland & Knight**

President, ABFA
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phone 202[redacted] | Fax [redacted]
[redacted]

To: Argyropoulos, Paul [redacted]
From: Brent Erickson
Sent: Tue 6/4/2013 5:28:30 PM
Subject: RE: House Oversight Hearing Wednesday updated questions

Some are for EPA

I did not have time to separate them

Brent Erickson

Executive Vice President

Industrial and Environmental Section

Biotechnology Industry Organization (BIO)

1201 Maryland Ave. S.W. , S. 900

Washington, D.C. 20024

PH [redacted]

www.BIO.org/ind

Follow me on ***Twitter*** [redacted]

From: Argyropoulos, Paul [mailto:[redacted]
Sent: Tuesday, June 04, 2013 1:23 PM
To: Brent Erickson
Subject: Re: House Oversight Hearing Wednesday updated questions

Thanks. Are these targeted primarily for the industry panel?

From: Brent Erickson
Sent: Tuesday, June 04, 2013 12:25:22 PM
To: Argyropoulos, Paul
Subject: House Oversight Hearing Wednesday updated questions

grundler

Brent Erickson

Executive Vice President

Industrial and Environmental Section

Biotechnology Industry Organization (BIO)

1201 Maryland Ave. S.W. , S. 900

To: Argyropoulos, Paul [redacted]
From: Kirsten Skala
Sent: Thur 5/23/2013 4:20:49 PM
Subject: RE: NBB Member Meeting - EPA Update

*Note that the time below is in UTC – for eastern standard time the presentation will be at 9:00 am

-----Original Appointment-----
From: Argyropoulos, Paul [mailto[redacted]
Sent: Wednesday, May 22, 2013 4:59 PM
To: Kirsten Skala
Subject: Accepted: NBB Member Meeting - EPA Update
When: Wednesday, June 12, 2013 1:00 PM-2:00 PM (UTC) Monrovia, Reykjavik.
Where: Washington Marriott at Metro Center - 775 12th St NW,

To: Argyropoulos, Paul[redacted]
From: Brent Erickson
Sent: Wed 5/22/2013 9:47:33 PM
Subject: Mercedes on higher blends.
Mercedes Benz higher octane fuels.pdf

FYI See attached.

Mercedes Benz presentation made by the same person who spoke at the EPA hearing. The first half is about biodiesel so go to the second half of the document to see the endorsement of higher ethanol blends.

Best regards.

Brent Erickson

Executive Vice President

Industrial and Environmental Section

Biotechnology Industry Organization (BIO)

1201 Maryland Ave. S.W. , S. 900

Washington, D.C. 20024

PH [redacted]

www.BIO.org/ind

Follow me on ***Twitter*** **(**[redacted]

To: Argyropoulos, Paul[Argyropoulos.[redacted]
From: Larry Schafer
Sent: Wed 5/22/2013 1:21:31 PM
Subject: Are you at your desk?

Larry Schafer

National Biodiesel Board

O: 202[redacted]

M: [redacted]

LSchaf[redacted]

Biodiesel – America's Advanced Biofuel!

www.americasadvancedbiofuel.com

1331 Pennsylvania Ave. NW

Suite 505

Washington DC 20004

To: Argyropoulos, Paul[Argyropoulos.[redacted]
From: Michael[redacted]
Sent: Tue 5/21/2013 1:25:26 PM
Subject: RE: you around today.

Thanks Paul. I have an interesting gig for you by phone on June 3rd. Call you later.

Michael McAdams | **Holland & Knight**

President, ABFA
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phone[redacted] | Fax 202[redacted]

Add to address book | View professional biography

From: Argyropoulos, Paul [mailto:[redacted]
Sent: Tuesday, May 21, 2013 9:23 AM
To: McAdams, Michael J [redacted]
Subject: RE: you around today.

Yes. Can chat later. It's pathways II rule. Will send info soon. Hopefully posting later this morning.

Paul Argyropoulos

Senior Policy Advisor

US EPA

Office of Transportation and Air Quality

Phone: 202-564-1123

Mobile: [redacted]

Email: argyropoulos.p[redacted]

Web: www.epa.gov

From: (b) (6) [redacted] [mailto:(b) (6) [redacted]
Sent: Tuesday, May 21, 2013 9:03 AM
To: Argyropoulos, Paul
Subject: you around today.

Paul: Hope you are well. If you have a couple minutes would love to extend an phone invitation to speak to you on behalf of a group. Also wanted to check on the Rule dropped yesterday, lots of confusion in the press and I have ducked the calls.

Michael McAdams | **Holland & Knight**

President, ABFA
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phone (b) (6) [redacted] | Fax (b) (6) [redacted]
(b) (6) [redacted]

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To: Argyropoulos, Paul (b) (6) [redacted]
From: (b) (6) [redacted]
Sent: Tue 5/21/2013 1:03:25 PM
Subject: you around today.

Paul: Hope you are well. If you have a couple minutes would love to extend an phone invitation to speak to you on behalf of a group. Also wanted to check on the Rule dropped yesterday, lots of confusion in the press and I have ducked the calls.

Michael McAdams | **Holland & Knight**

President, ABFA
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phone (b) (6) [redacted] | Fax (b) (6) [redacted]
[redacted]

Add to address book · View professional biography

To: Argyropoulos, Paul[redacted]
From: [redacted]
Sent: Fri 5/10/2013 11:43:26 AM
Subject: Re:

Totally understand. Hope you are well despite the circumstances.

Sent using BlackBerry

From: Argyropoulos, Paul [mailto[redacted]
Sent: Friday, May 10, 2013 06:57 AM Eastern Standard Time
To: McAdams, Michael J [redacted])
Subject: RE:

Sorry Mike,

I haven't been able to follow-up yet. Been swamped and staff here is hit or miss due to furloughs and too much to do. I'll see what I can find out by Monday.

Thanks.

Paul Argyropoulos

Senior Policy Advisor

US EPA

Office of Transportation and Air Quality

Phone: 202-564-1123

Mobile: [redacted]

Email: [redacted]

Web: www.epa.gov

From: [redacted] [mailto[redacted]

Sent: Thursday, May 09, 2013 3:52 PM
To: Argyropoulos, Paul
Subject:

Paul: Did you get any read on how long on the Viesel part 80? Guys calling me every two days. Thanks.

Michael McAdams | **Holland & Knight**

President, ABFA
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phone (b) (6) [redacted] | Fax (b) (6) [redacted]
[redacted] (

To: Argyropoulos, Paul (b) (6) [redacted]
From: (b) (6) [redacted]
Sent: Thur 5/9/2013 7:51:49 PM

Paul: Did you get any read on how long on the Viesel part 80? Guys calling me every two days. Thanks.

Michael McAdams | **Holland & Knight**

President, ABFA
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phone (b) (6) [redacted] | Fax (b) (6) [redacted]
[redacted]

To: Brooke Coleman[redacted] Grundler, Christopher[redacted] Argyropoulos, Paul[redacted] Simon, Karl[Simon[redacted]
From: Bittleman, Sarah
Sent: Thur 5/9/2013 2:51:14 PM
Subject: Re: quick heads up

Ok; thx for sending letter when you can. Sb

From: Brooke Coleman
Sent: Thursday, May 09, 2013 10:48:01 AM
To: Grundler, Christopher; Argyropoulos, Paul; Simon, Karl; Bittleman, Sarah
Subject: quick heads up

We are sending a letter today to OMB calling for faster and more transparent pathway resolution. Sparked by arundo, but includes references to wood and sorghum. This has becomes a real issue in the investment community and have no choice. It does not throw epa under the bus, although does mention concerns about wood. Angst right now is with OMB. Happy to discuss. Will send letter when I can.

R. Brooke Coleman

Executive Director

Advanced Ethanol Council (AEC)

www.AdvancedEthanol.org

8[redacted] (m)

To: Argyropoulos, Paul[Argyropoulos.Pau[redacted]
From: [redacted]
Sent: Thur 5/2/2013 5:27:00 PM
Subject: RE: I will try you later from my car. Thanks

Thanks, some stuff I wanted to share.

Michael McAdams | **Holland & Knight**
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phon[redacted] | Fax [redacted]
[redacted]

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From: Argyropoulos, Paul [mailto:[redacted]
Sent: Thursday, May 02, 2013 12:54 PM
To: McAdams, Michael J [redacted])
Subject: I will try you later from my car. Thanks

Paul Argyropoulos

Senior Policy Advisor

US EPA

Office of Transportation and Air Quality

Phone: 202-564-1123

Mobile: [redacted]

Email: argyropoulos.paul@epa.gov

Web: www.epa.gov

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To: Argyropoulos, Paul[Argyropoulos (b) (6) [redacted]
From: Wendy Siminski
Sent: Thur 4/25/2013 12:20:34 AM
Subject: Wednesday Highlights: BIOtechNOW Digital Daily

Tues 4.23 Convention Highlights | Business Development | Health | Finance/Policy | International

Convention Highlights

Governor Dennis Daugaard, South Dakota; Governor Jay Nixon, Missouri; Governor Rick Perry, Texas; and Governor Tom Corbett, Pennsylvania discuss the future of biotech on a panel and in the BIO Exhibition.

Ag Biotech: Going on the Offense

On Wednesday at the BIO International Convention a panel called "Going on the Offense: Proactive Strategies to Reduce Uncertainty" focused on challenges facing agricultural biotech in the social media and regulatory worlds...
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Business Development

Governor Jay Nixon of Missouri

announces huge deal at the 2013 BIO International Convention: Monsanto will invest $400 million to increase their research footprint in Missouri, adding 675 new high tech jobs.

Share Video:

Ernst & Young's Beyond Borders: Matters of Evidence

Hundreds of attendees turned out to glean insights from findings outlined in Ernst & Young LLP's (EY) 27th annual report on the biotechnology industry – *Beyond borders: matters of evidence* – officially launched at Tuesday morning's Super Session at the 2013 BIO International Convention...

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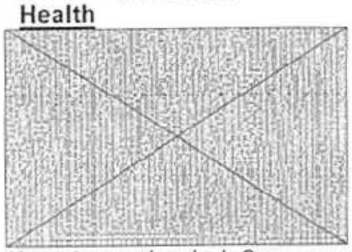
Health



Keynote speaker Josh Sommer was recently named one of Forbes 30 Under 30 in Science and Healthcare. He discusses his rare cancer diagnosis.

Share Video:

New Challenges in the Fast Changing Landscape of Bioinformatics

The world of DNA sequencing and bioinformatics has evolved at a staggering pace. In 2009, the biggest problem for researchers was creating an efficient solution for sequencing DNA...

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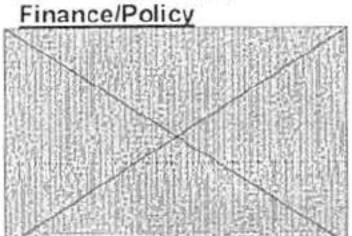
Finance/Policy



Ron Stotish, CEO, AquaBounty Technologies, discusses AquAdvantage® Salmon, the first candidate application for a genetically modified (transgenic) food animal.

Share Video:

Governors Share Best Practices on Bringing Biotech Jobs to their States

With the state competition for biotech jobs in full force at the BIO International Convention, BIO released its Bioscience Economic Development report yesterday to a standing room only crowd that came to hear...

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International

Chris Morrison, Editor, Elsevier Business Intelligence, interviews Glen Giovannetti, Global Life Sciences Sector Leader, Ernst & Young, about the newly released Beyond Borders Report.

Share Video:

Scientific American Worldview

The fifth annual edition of Scientific American Worldview explores ongoing challenges and opportunities in the biopharmaceutical industry, including the looming potential of an "innovation cliff." Many experts believe that biotechnology remains in its infancy, leaving room for growth...
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Breaking News

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04.24.13
Think Organic Farming is Better for the Environment? Think Again.
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Man on the Street

Top Tweets

04.24.13 | @IsaacKinde
Had a wonderful time at #BIO2013 and wish I could stay longer! Incredibly well orchestrated. Special thanks to @BioMaryland

@JHUTechTransfer
04.24.13 | @GlenGiovannetti
"The most expensive drug is the one that doesn't work" - Scott Carmer Head of Specialty Care at #AZ. #BIO2013
04.24.13 | @BIOConvention
Too many parties to count. I am making such great connections and learning a lot! Thanks! #BIO2013
04.24.13 | @scientre
You know your dinner crew was a great one when the restaurant finally has to ask you leave. #BIO2013
04.24.13 | @Modernmeds
"#Alzheimers is no longer an emerging crisis--it's here," says Heather Snyder of @alzassociation #BIO2013
04.23.13 | @TexGov
@GovernorPerry in a panel discussion at #BIO2013, talking about the Texas economy & future of biotech. #biotech
04.24.13 | @LillyPad
Standing room only in our #Alzheimer's Forum! Glad to see so many here at #BIO2013 looking to work together to #fightalz
04.24.13 | @benjaminstengel
Had the pleasure of meeting @ScottKWalker yesterday at #BIO2013
04.24.13 | @rieuty_biotech
Just because we're not formal partners doesn't mean we can't collaborate. #biobreakuplines #BIO2013
Follow @bioconvention

2013 BIO International Convention

April 22-25, 2013 | Chicago, IL

Biotechnology Industry Organization
1201 Maryland Avenue, SW
Suite 900
Washington, DC 20024
202.962.9200 (p)
202.488.6301 (f)

To: Argyropoulos, Paul [redacted]
From: [redacted]
Sent: Wed 4/24/2013 1:42:52 PM
Subject: RE:

I am hoping, NBB and us are going back on the 13 numbers probably this week.

Michael McAdams | **Holland & Knight**
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phone [redacted] | Fax [redacted]

From: Argyropoulos, Paul [mailto:[redacted]
Sent: Wednesday, April 24, 2013 9:42 AM
To: McAdams, Michael J [redacted]
Subject: RE:

Maybe mischaracterized…………

Paul Argyropoulos

Senior Policy Advisor

US EPA

Office of Transportation and Air Quality

Phone: 202-564-1123

Mobile: [redacted]

Email: argyropoulos.paul@epa.gov

Web: www.epa.gov

From: [redacted] [mailto:[redacted]]
Sent: Wednesday, April 24, 2013 9:41 AM
To: Argyropoulos, Paul
Subject:

Paul: talking to one of the White House economic policy folks and they informed me that Gina was over there pitching E-85 as the answer to the current problem. ??

Michael McAdams | **Holland & Knight**
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phone [redacted] | Fax [redacted]
[redacted]

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To: Argyropoulos, Paul (b) (6) [redacted]
From: (b) (6) [redacted]
Sent: Wed 4/24/2013 1:40:31 PM

Paul: talking to one of the White House economic policy folks and they informed me that Gina was over there pitching E-85 as the answer to the current problem. ??

Michael McAdams | **Holland & Knight**
Sr Policy Advisor
800 17th Street, NW Suite 1100 | Washington DC 20006
Phone 202.(b) (6) [redacted] | Fax (b) (6) [redacted]
[redacted]

Add to address book | View professional biography

To: Argyropoulos, Paul (b) (6) [redacted]
From: Brent Erickson
Sent: Fri 4/19/2013 3:11:53 PM
Subject: Who killed $2.18 gasoline?

Who killed $2.18 gasoline?

Jim Lane | April 19, 2013

An explosive report from Bloomberg alleges that a pathway to $2.18 per gallon gasoline was developed at Chevron-Weyerhaeuser owned Catchlight Energy. Yet, the project was sidelined. Why?

Was the project really saddled with a threshold ROI 10 percent above Chevron's annual average return on capital?

The Bloomberg investigative team of Ben Elgin & Peter Waldman yesterday published an expose on Chevron trying to undercut California's low-carbon fuel standard. "They say they're pushing back against the California rule because it demands technology that may not be available for years," the team writes, as they detail the derailing of a technology that would have been available at commercial scale as soon as next year, according to the company's own internal documentation.

Impossible?

"We've looked at 100 feedstocks, 50 conversion technologies, worked to shape this law the best we can, and we have not come up with a solution to be able to comply," said Rhonda Zygocki, Chevron's executive vice president of policy and planning, in a Feb. 4 talk at the Commonwealth Club in San Francisco. Rick Zalesky, the Chevron official who celebrated the order's signing with Schwarzenegger, was blunt last June when he declared the low-carbon standard "not achievable."

A contrasting view

"You can make money today making advanced biofuels," Bloomberg quoted former Chevron biofuels VP Paul Bryan in the report. "You just won't make as much money as the oil companies would like."

Was there really a project at Chevron that could profitably make renewable gasoline at $2.18 per gallon?

Apparently, yes. Catchlight Energy, a joint venture of Chevron and Weyerhaeuser — have such a technology. But let's put some qualifiers on that. It was at pilot stage. The Bloomberg report points to "a $504 million solvent liquefaction plant producing 92 million gallons a year at a cost of $2.18 a gallon." Did that include the capital investment — not clear, and could have added $0.36 per gallon (amortized over 15 years).

But certainly, competitive with the cost of making gasoline when the Brent Crude benchmark has been between $93 and $115 per gallon this year.

What happened?

The Bloomberg report points to an internal Chevron report written in 2009, that concluded it would be cheaper to buy renewable energy exemptions than make renewable fuel.

According to Bloomberg, a few months after the report appeared, Catchlight's budget was scaled back. Originally the venture was intended to build 17 plants by 2029, making 2 billion gallons of renewable fuel, starting with a $370 million commitment by 2013 and a first commercial plant in 2014.

The projects were projected to make a return on investment of between 5 and 10 percent per year, compared to Chevron-wide average return of 17 percent. According to Bloomberg, the Catchlight board said in April 2010 that there was "no urgency in advancing the technology, set the minimum annual return at 20 percent to greenlight a project, and reduced Catchlight's 2013 budget from $370 million to $8.9 million.

Chevron's overall capital budget this year? $33 billion. Net income? $26.2 billion on $222.6 billion in sales, according to Bloomberg.

It's the money, honey.

Desmond King, president of Chevron Technology Ventures, told Bloomberg "It all comes down to getting good enough returns for our shareholders."

Ironically, RIN prices (the currency of renewable fuel mandate compliance) have soared this year and high prices are being cited as a reason to repeal the Renewable Fuel Standard.

"Something's got to be done, so we're doing it."

Bloomberg pointed to the irony of a 2010 Chevron advertising campaign.In October

2010, six months after Chevron and Weyerhaeuser put the brakes on at Catchlight, Chevron ran television and print ads about its work on non-petroleum fuels. "Something's got to be done. So we're doing it," the ads said. "We're not just behind renewables. We're tackling the challenges of making them affordable and reliable on a large scale."

R&D spending offloaded to the Feds

According to Bloomberg, R&D on solvent liquefaction is now reduced primarily to a $3.5 million program at Iowa State, $2.8 million funded by a federal grant and $700,000 by Catchlight.

More on Fueling California

The article also traces the ratchet-back of efforts at ExxonMobil to develop algal biofuels — and points to a new strategy among oil companies based on funding lobbying efforts to repeal or slow renewable fuel mandates, saying that they are unworkable based on current technology.

The Bloomberg team traces well-funded attempts to derail California's Low Carbon Fuel Standard — including Chevron and ExxonMobil's funding of Fueling California, "an advocacy group whose major funder is Chevron and that spent more than $327,000 in 2011 and 2012 lobbying on fuel and transportation policies" — and which has targeted a slowdown in implementing California's Low Carbon Fuel Standard.

The bottom line

We've seen much of this before in the kinds of charges that are often leveled at oil companies — toxic levels of cynicism in public relations, capitalism run amok, projects subject only to economic sustainability, leaving someone else to clean up the carbon.

But there's something here that we see less often. The bottling up of game-changing technologies, a tying up of talent.

Here's the pattern: bend to public will when mandate efforts become popular, establish big projects, hire top R&D talent and bottle up IP to prevent technology spread, kill off the projects with absurd profit requirements, cite lack of feasible technology as a reason to kill or delay mandates, and then lobby like crazy to get back to the status quo.

True? Fair? Let's explore in the days and weeks to come.

At the very least, Chevron has some explaining to do.

We've offered Chevron space in the Digest to set out their view. We invite others to reach out to the Digest and share what they know.

Not in a spirit of agenda-ranting, but a spirit of nuanced debate between grown-ups as they tackle real issues, navigate opportunity, and balance social and financial obligations.

The full Bloomberg report is published here.

Brent Erickson

Executive Vice President

Industrial and Environmental Section

Biotechnology Industry Organization (BIO)

1201 Maryland Ave. S.W. , S. 900

Washington, D.C. 20024

PH [redacted]

www.BIO.org/ind

Follow me on ***Twitter*** *([redacted])*


```
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(866) 411-4EPA (4372). The TDD number is [redacted].

********************** ATTACHMENT NOT DELIVERED **********************

To: Argyropoulos, Paul (b) (6) [redacted]
From: Brent Erickson
Sent: Thur 4/18/2013 7:22:40 PM
Subject: BIO Announces 2013 Carver Award Recipient

Dear Paul,

The Biotechnology Industry Organization (BIO) is pleased to announce **Dr. Jay Keasling** as the recipient of its **2013 George Washington Carver Award** for Innovation in Industrial Biotechnology.

The award annually honors the original vision of George Washington Carver who, over a century ago, achieved world renown by using chemistry and agriculture to produce everyday consumer products, changing the nature of farm economics and sustainability. Today, companies are realizing Carver's vision by using industrial biotechnology to manufacture bioplastics, renewable chemicals, food ingredients and fuels from renewable agricultural resources.

Dr. Keasling is a professor of biochemical engineering at University of California, Berkley, an associate laboratory director at Lawrence Berkeley National Laboratory, the CEO of the Joint Bioenergy Institute and Director of Synthetic Biology Engineering Research Center. Dr. Keasilng was selected by a panel of industry leaders for his contributions to the field industrial biotechnology through the innovative applications of synthetic biology.

Using synthetic biology, Dr. Keasling is developing processes that commercialize replacements for petroleum-based products that consumers use every day from hard plastics and paints to soda bottles, cosmetics and car tires. Click here to view the BIOtechNow article further detailing achievements.

The award presentation and Dr. Keasling's keynote address will take place during BIO's 10th Annual World Congress on Industrial Biotechnology. **The conference will be held June 16-19, 2013 in Montreal, Canada.**

I hope that you are able to join us for great food, great wine and a fantastic program! Over 280 companies are registered to date and we expect over 1,200 attendees.

I also wanted to let you know that the early bird registration rate will expire just about two weeks from now on Friday, May 3rd. Please be sure to register now if you want to take advantage of the cost savings.

Best Regards,

Brent Erickson
Executive Vice President
Industrial and Environmental Section
Biotechnology Industry Organization

Biotechnology Industry Organization
1201 Maryland Avenue, SW
Suite 900
Washington, DC 20024
202.962.9200 (p)
202.488.6301 (f)

This message was intended for: argyropoulos.paul@epamail.epa.gov

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click here.
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To: Argyropoulos, Paul [redacted]
From: Brent Erickson
Sent: Thur 4/18/2013 6:31:58 PM
Subject: BIO QAP Final
Final Draft Revised BIO Comments on EPA RIN Proposal 04 15 13.pdf

FYI

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April 18, 2013

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Docket ID No. EPA-HQ-OAR-2012-0621: RFS Renewable Identification Number (RIN) Quality Assurance Program

The Biotechnology Industry Organization ("BIO") appreciates the opportunity to comment on the U.S. Environmental Protection Agency's ("EPA") proposed rule to establish a RFS Renewable Identification Number ("RIN") Quality Assurance Plan ("QAP") ("proposed rule" or "proposed QAP").

BIO is the world's largest biotechnology organization, with more than 1,100 member companies worldwide. BIO represents leading technology companies in the production of conventional and advanced biofuels and other sustainable solutions to energy and climate change. BIO also represents the leaders in developing new crop technologies for food, feed, fiber, and fuel.

BIO Commends EPA for Its Commitment to Ensuring the Success of the RFS and All Producers

BIO commends EPA for its steadfast commitment to ensuring the federal Renewable Fuel Standard ("RFS") works as intended to promote the development and commercialization of a U.S. biofuels industry to help further this country's energy security and independence. BIO supports EPA's efforts to ensure the stability of the RIN market, which is important to the functionality and effectiveness of the RFS.

The RFS is the single most important federal policy driving investment and commercialization of conventional and advanced biofuels. Investment spurred by the RFS has led to the development of commercial-scale advanced and cellulosic biofuel facilities that are currently in the process of starting up production of qualifying renewable fuel. Additional projects are also already under construction or planning to start production in the next few years. Each represents several hundred million dollars of at-risk capital. EPA's consistent and carefully balanced implementation of the RFS has provided these advanced biofuel developers and investors with the confidence of knowing that if they can produce advanced and cellulosic biofuels, they will be able to access the market.[1] Stable, consistent, predictable implementation of the RFS has helped such companies commercialize new fuels that meet the nation's goals for energy security and a cleaner environment.

Advanced biofuel companies just achieving commercial production status must also invest time and money in meeting the regulatory requirements both for Registration of Fuels and Fuel Additives (Title 40 CFR §79) and for RFS2 Registered Renewable Fuel Producers (Title

[1] "The value proposition for cellulosic and advanced biofuels under the US federal renewable fuel standard." Ind. Biotech. J. 7(2), April 2011. doi:10.1089/ind.2011.7.111.

40 CFR §80.1450). Prior to generating RINs, a renewable fuel producer must have an independent third-party engineering review and verification of its facility's capacity to produce fuel an co-products, its feedstocks and suppliers, its process heat source and suppliers, its waste separation plan (if needed), along with required permits. Regulatory delays and barriers in these registration processes are already a significant challenge for advanced biofuel companies trying to commercialize new technology. Federal policies, including the proposed QAP, should clear a path for companies making investments, building new biorefineries and bringing innovative technologies to the marketplace.

BIO was encouraged by EPA's recent approval of cellulosic biofuels from camelina and energy cane.[2] These approvals have helped to expand access to the RFS by nascent biofuel producers, as there are now five pathways for producing qualifying cellulosic biofuels and generating RINs in the RFS program. However, additional companies continue to await approval of their proposals to generate qualifying cellulosic and advanced biofuels. These regulatory pathway delays, for example, can stall private investment and the companies' progress in achieving commercial scale production. BIO stands ready to work with EPA to remove regulatory barriers to access of the RFS, including by expediting pathway approval in the near future and helping to ensure steps to increase liquidity in the RIN market comport with the capabilities and resources of *all* current and prospective biofuel producers.

The Final Rule Should Not Contain Duplicative Requirements for Biofuel Producers

BIO recommends that EPA modify the proposed QAP to ensure the final plan does not include duplicative engineering review and attest engagement requirements for biofuel producers. The proposed QAP audits duplicate to a large degree the engineering review and attest engagement requirements for CFR §79 and §80 under the Clean Air Act and RFS. EPA even notes this redundancy in the proposed rule.[3]

BIO recommends two changes to the proposed rule so that the final plan will not include unnecessary, duplicative and burdensome requirements on biofuel producers, especially less well capitalized smaller producers that should be encouraged to make RFS qualifying fuel.

First, in the final rule, EPA should fully develop its proposal "that a separate engineering review would no longer be required if a facility is covered by an Option A QAP" [proposed rule p.12170]. ***BIO recommends that both Option A and B QAP audits should replace the requirement for separate engineering reviews as well as for annual attest engagements, which are also duplicated by the proposed QAP audits.*** Elimination of duplicative regulatory requirements can reduce the overall costs of the program for renewable fuel producers and is consistent with Executive Order 13563.[4]

Second, ***BIO recommends that advanced and cellulosic biofuel producers just entering the market at commercial scale---and whose feedstocks, technology and operations will have just been highly scrutinized---should be considered fully verified under the QAP for the first three years of operation following their***

[2] Regulation of Fuels and Fuel Additives: Identification of Additional Qualifying Renewable Fuel Pathways Under the Renewable Fuel Standard Program (Mar. 5, 2013), 78 Fed. Reg. 43.

[3] Proposed Rule at 12169, "Note that the components proposed for monitoring, whether on an ongoing or periodic basis, are components that are already regulated under the RFS program."

[4] Executive Order 13563 of January 18, 2011, Improving Regulation and Regulatory Review. Fed. Reg. Vol. 76, No. 14, Friday, January 21, 2011.

registrations. CFR § 80.1441 provided a similar three-year exemption for small refineries, which was extended for specific small refineries for an additional two years. This exemption would help level the playing field between large well-capitalized and established producers and small undercapitalized and nascent producers. Moreover, it would ensure against imposing duplicative and burdensome requirements on small advanced and cellulosic producers like the ones they had to comply with during the extensive registration processes. Given the fact that these producers will have just gone through the registration processes, EPA, obligated parties and participants in the RIN market can be assured their RINs will be valid.

EPA Should Work to Eliminate Unnecessary and Burdensome Costs to Producers in the Final Rule

The proposed QAP would place unnecessary and burdensome costs on biofuel producers—especially small producers recently achieving commercial status—which would not outweigh the potential benefits of the program on the RIN market. BIO recommends several changes to the proposed QAP to help ensure the RFS policy continues to encourage *all* biofuel producers to generate RINs.

The cellulosic biofuel industry, in particular, has received intense scrutiny from EPA, the U.S. Energy Information Administration ("EIA"), other interested agencies, Congress, the press and obligated parties.[5] *The risk of fraudulent RIN generation under such scrutiny is significantly low that it does not warrant prohibitive costs for these producers to further ensure the validity of their RINs.* Further, such prohibitive costs would exacerbate the current market reality where some pilot and demonstration cellulosic facilities are already discouraged from registering to begin generating RINs while they are testing new feedstocks, because of the requirements of CFR §80. Several of these advanced biofuel producers are currently awaiting pathway approvals. Each of their changes to tested feedstocks could require new QAPs, further discouraging small facilities from generating RINs and reducing liquidity in the RIN market.

EPA underestimates the cost burden of the QAP on biofuel producers, particularly on small advanced and cellulosic producers and producers of feedstock agnostic biofuels. The Agency estimates the cost to the renewable fuel producer of implementing a QAP to be $8,370. However, EPA likely mistakenly assumes that costs would not vary significantly among the various D codes of RINs[6] and that costs to producers would not vary significantly among nascent and established producers, and producers of the four categories of biofuels to generate RINs under the RFS. In fact, the costs would vary considerably according to the D-Code of the renewable fuel produced. And given the smaller number of cellulosic and advanced biofuel producers and the lower current volumes, the costs of replacing invalidated RINs in those categories would be much higher.

EPA does note that the biggest cost differences will occur in feedstock verification. This cost will impact cellulosic and advanced feedstocks more than conventional feedstocks because there are higher requirements for lifecycle greenhouse gas emission analysis and in several cases a requirement for additional regulatory approval of a feedstock separation plan. In addition, many advanced and cellulosic biofuels are feedstock agnostic. Under the current

[5] See for instance, "AFPM Updates Public Statement on Request to Waive 2012 Cellulosic Biofuel Mandate," Jan. 11, 2013, http://www.afpm.org/news-release.aspx?id=3497.
[6] See proposed rule at 12203.

proposal, these producers would be required to secure a separate QAP for each feedstock used.

The markets for cellulosic and advanced feedstocks are in some cases still maturing, meaning there are smaller volumes being traded and less economy of scale. The wider variety of cellulosic and advanced feedstocks will likely further impose higher costs on these renewable fuel producers, particularly if "a separate QAP is required for each pathway," [p.12173] as EPA proposes, and auditors are required to make direct contact with all feedstock suppliers to the facilities, under §80.1472(a)(4). Because they are building first-of-a-kind biorefineries with local feedstocks and novel technologies, nearly every cellulosic biofuel company currently registered under CFR §80 or expected to register in the next three years could require a separate QAP, which will significantly increase costs to those producers compared to others.

There are several other factors that will likely increase the cost burden of the program on small advanced and cellulosic biofuel producers. For instance, the need for multiple QAP plans for cellulosic and advanced pathways coupled with the small number of potential facilities as customers (further reduced because participation in the QAP program is intended to be voluntary) is likely to force auditors to increase the costs of the plans for cellulosic and advanced pathways.

In addition, of the auditors who have submitted QAP plans for pre-approval, only one is offering verification for cellulosic pathways, and only under Option B. The lack of competition and choice among auditors and plans would also drive higher costs for renewable fuel producers. Since EPA indicates that RIN market participants may choose a different QAP option "for any given RIN transaction" [p.12165], the costs for participation by new and smaller producers could be significantly higher than for larger producers, while the benefits could be much more limited.

EPA also recognizes that "different third-party auditors would develop different audit procedures and business models" [p.12165]. This variation raises the possibility that some QAP auditors would be more trusted by obligated parties, thereby creating more value for the RINs they verify.

Given the significant costs involved and low risk of invalid RINs, ***BIO strongly urges EPA to eliminate the quarterly audit requirements under the proposed QAP options for newly registered renewable fuel producers.*** We believe leaving the requirements in the final rule would exacerbate the imbalance in the costs for participation in the QAP.

BIO also urges EPA to consider allowing QAP auditors to trade RINs because doing so could potentially reduce the costs of the QAP both for auditors and renewable fuel producers. By taking ownership of RINs for trading, the auditors would become statutorily responsible for the validity of the RINs. It should be well-noted by all RIN market participants that one of the parties recently convicted of selling $9 million in fraudulent RINs was assessed $42 million in civil liabilities by the courts.[7] BIO believes this statutory responsibility would outweigh EPA's concern that "a conflict of interest may exist if the independent third-party implementing a QAP for a renewable fuel production facility was the

[7] EPA news release,
http://yosemite.epa.gov/opa/admpress.nsf/d0cf6618525a9efb85257359003fb69d/499ba7061892802085257b1a006f9522!OpenDocument

same party that conducted the facility's engineering review required under §80.1450(b)(2)" [p.12187].

Lastly, ***BIO urges EPA to consider that the costs of participation in the QAP are expected to be reflected in the price of the renewable fuel produced and eventually in the price of fuel for end consumers.*** Obligated parties have already complained that increased RIN prices will cost consumers $13 billion in increased fuel prices at the pump.[8]

EPA Should Ensure the QAP in the Final Rule is Truly Voluntary and Facilitates a Level Playing Field for Both Large and Small Biofuel Producers to Help Fulfill the RFS

BIO urges EPA to make changes to the proposed rule to ensure that it is truly a voluntary program in practice, as it is intended to be. Making the program truly voluntary will help level the playing field between large and small producers, and help ensure that all producers remain encouraged to participate in the RFS. In its current form, the proposed QAP likely will not be voluntary in practice, at least for small advanced and cellulosic producers, as they likely will be pressured by market realities to participate, even if they have confidence in the validity of their RINs or if they would not be able to capture additional value for their verified RINs to justify the cost of participation.

EPA shows significant concern for existing inequalities in RIN values, noting, "some RINs have been treated as having more value and less risk than others" [p.12160] and "[s]maller producers have been forced to offer their RINs at a significant discount relative to RINs from larger producers" [p.12163]. Yet, EPA also notes that under the proposed QAP, verified RINs will be more valuable than unverified RINs. *EPA therefore should be wary of creating a system that competing companies and industries can use to raise costs to an intolerable level and drive small renewable fuel producers from the market place.*

EPA recognizes that already, without the proposed QAP in place, "individual obligated parties are now conducting their own audits of renewable fuel production facilities" [p.12160]; including "indemnification clauses in the contracts with RIN suppliers" [p.12163]; and "opting instead to purchase RINs primarily from the largest biodiesel producers" [p.12163]. *EPA should therefore recognize that obligated parties have significant leverage within the RFS program to impose costs and conditions on renewable fuel producers as well as to selectively identify and trade RINs from certain producers within the EPA Moderated Transaction System (EMTS).*

In practice, EPA's proposed QAP likely would not be a truly voluntary program and could impose overly burdensome and unnecessary costs and regulatory complexity on renewable fuel producers. Obligated parties have sufficient leverage within the existing regulations to require renewable fuel producers to participate as a condition of trading volumes of renewable fuel in the RFS program. For instance, currently, EMTS

> "allows a RIN account holder to block RINs generated by specific companies and/or facilities. EMTS now also allows a RIN transferee to review details of RINs offered by

[8] Bradley Olson & Dan Murtaugh, "Ethanol Upending Refiners Pushes $13 Billion on U.S. Drivers," Bloomberg, March 18, 2013, http://www.bloomberg.com/news/2013-03-18/refiners-pay-price-as-traders-hoard-ethanol-credits-valero-says.html.

a transferor, such as the RIN generators' company and facility ID numbers, prior to accepting or rejecting the transaction. In this way, a RIN account holder can protect himself or herself from being transferred RINs generated by a company with whom the RIN account holder chooses not to do business, even if indirectly."[9]

Flexibility and transparency in RIN trading benefits all, but it should not facilitate the imposition of costs by one party on a competitor.

Renewable fuel producers and petroleum refiners are competitors. In partially granting the American Petroleum Institute's recent "Petition for Review of Final Agency Action," the United States Court of Appeals for the District of Columbia Circuit ("The Court") indicated that, "[a]part from their role as captive consumers, the refiners are in no position to ensure, or even contribute to, growth in the cellulosic biofuel industry."[10] Especially given this recent assertion by the Court, EPA's final QAP should not unintentionally give refiners added power to contribute to delays in the growth of the cellulosic biofuel industry by imposing unwarranted costs and regulatory complexity on them. ***We urge EPA to rigorously ensure that the rules of the QAP do not enable and facilitate potentially discriminatory and anti-competitive behavior by obligated parties against biofuel producers, particularly small biofuel producers.***

Especially given the current ability of the EMTS to enable due diligence against RIN fraud, the potential costs of the proposed QAP are disproportionate to its potential rewards for renewable fuel companies that have not yet actively participated in the RIN market. Cellulosic biofuel producers in particular may be unable to capture additional value for verified RINs because the RFS program provides obligated parties a compliance option for cellulosic renewable volume obligations (RVO) that does not exist for other RVOs. The cellulosic waiver credit was designed to establish an upper bound for the value of a cellulosic biofuel gallon and assigned RIN as well as to ensure liquidity in the RIN market.[11]

If EPA adopts its proposal for EMTS to track and display RIN verification status, the RINs of cellulosic biofuel producers should be granted equivalence with Option A RINs – regardless of the QAP option chosen. We recommend this action because there are no approved QAPs utilizing Option A for cellulosic RINS. Cellulosic producers should not be disadvantaged by having only one QAP option when other types of producers all have two. This is especially true if EPA chooses to distinguish between verified and non-verified RINs within EMTS.

This action will also mitigate the risk that obligated parties will be able to use EMTS to block competing renewable fuel producers from full participation in the RIN market.

It is misguided to "expect that most RINs purchased and used for compliance purposes will be QAP-verified even though the program is voluntary because most obligated parties in most situations will prefer not to take on the risk of using an unverified RIN" [p.12167]. Obligated parties should be expected to seek to comply with the RFS at the lowest cost to

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[9] Regulation of Fuels and Fuel Additives: Modifications to Renewable Fuel Standard Program (Tuesday, December 21, 2010), Federal Register Volume 75, Number 244, FR Doc No: 2010-31910.

[10] American Petroleum Institute v. EPA, Advanced Biofuels Association, et al., USCA No. 12-1139, Jan.25, 2013.

[11] See Regulation of Fuels and Fuel Additives: Changes to Renewable Fuel Standard Program; Final Rule, (March 26, 2010) Fed.Reg. Vol. 75, No. 58, II.I.3, p.14727.

themselves, their customers and end consumers. Obligated parties may not require a QAP as a condition for trading RINs from larger, well-established producers who, as EPA notes, "are better known, have been under production for a longer period of time, and/or have the resources to replace invalid RINs" [p.12163]. *Larger producers – already potentially able to produce lower cost fuel through economies of scale – may not feel the need to participate in a QAP and would thereby be able to provide fuel at a lower cost than small producers.*

There is no guarantee that obligated parties will favor verified RINs, since they generally view them as a burdensome compliance cost. Small producers forced to use a QAP option by obligated parties could see significantly higher costs with no corresponding enhancement in their participation in the RFS. There is no guarantee that, "[a]s a result, verified RINs would be more valuable than RINs from a facility that had not been verified through a third-party auditor" [p.12170].

Recommendations to Ensure QAP is Truly Voluntary and Provides a Level Playing Field Between Large & Small Producers

1. ***EPA should not use EMTS to designate verified and unverified RINs.*** As noted earlier, EMTS already gives RIN traders extraordinary flexibility to block trading of RINs from certain renewable fuel producers. If EPA adopts its proposal for EMTS to track and display RIN verification status, D3, D7 and certain D5 RINs from newly registered renewable fuel facilities should be granted equivalence with Option A RINs – regardless of the QAP option chosen or whether the company is participating in a QAP.

2. ***EPA should not require third parties to hold RINs for some period of time.*** One of EPA's stated goals is to increase liquidity in the RIN market. Two of the proposed RIN replacement mechanisms under Option A would reduce liquidity in the market by requiring third parties to hold RINs for some period of time. Companies have produced very few D3 and D7 RINs to date and the industry is only expected to ramp up first-of-a-kind facilities in the next few years. Companies have also produced relatively few D5 RINs for Biogas and Renewable Diesel, with inconsistent year-over-year production. Holding RINs from the market for these categories of fuel would severely reduce liquidity in the market.

3. ***EPA should not publicly distinguish between verified and un-verified RINs as a potential replacement for invalidly generated RINs, since EPA's goal is to ensure that renewable fuel is produced and used in the United States.*** EPA argues that "RINs verified under the two options could have different prices even though they have the same D code" [p.12179]. However, the only meaningful distinction for satisfying the goals of the RFS would be between valid and invalid RINs. EPA should seek to minimize the differences between verified and unverified RINs, particularly under a voluntary program, and again should not use EMTS to designate verified and unverified RINs.

Additional Recommendations for Improving the Proposed QAP

Above, BIO recommends that EPA give Option A value to all RINs from newly commercialized cellulosic producers since there is no QAP for cellulosic biofuel producers under Option A. Even if EPA decides against this treatment for cellulosic producers, ***BIO recommends that EPA revise the proposed rule to allow cellulosic producers to submit a QAP plan specific to their facilities..*** This QAP option for newly registered cellulosic fuel producers would help equalize liability for invalidated RINs, improve liquidity and confidence in the RIN market, and enhance the ability of small producers to participate in the RFS. The RFS rules at §80.1465(h) require foreign refiners to post a bond to be used to satisfy any judicial judgment that results from an action for violation of the subpart.

Similarly, under this self-verification option, cellulosic producers could be required to post a bond of sufficient size to satisfy the purchase price of cellulosic waiver credits, equal to 2 percent of annual production, to replace potentially invalidated RINs. Such a bond could mitigate the perceived risk that obligated parties currently associate with RINs from small or new producers.

Since, in all cases, the RIN generator is primarily responsible for replacing invalidly generated RINs, a financial assurance instrument similar to the bond requirement for foreign RIN generators at §80.1465(h) would be most appropriate for the auditor. At a minimum, this requirement would ensure that invalidly generated cellulosic gallons could be replaced by cellulosic waiver credits, which were also established to ensure liquidity in the RIN market for that RVO.

The higher costs of the plans and the statutorily limited value of cellulosic RINs are likely to continue to limit QAP plan applications for QAP plans for cellulosic and certain advanced pathways. The required expertise to conduct engineering and feedstock reviews as well as elements of attest engagements could also limit the pool of qualified applicants. Therefore, ***the qualifications for auditors should be the same as those offering third-party engineering reviews and attest engagement services. And, to the greatest extent possible, EPA should avoid duplication of the requirements for these third-party reviews.***

RIN Separation

BIO opposes new limits on separation of RINs by producers. The RFS program was clearly designed to permit some fuel retailers to utilize more than their obligated volume of renewable fuels and trade credits to those who use less. Renewable producers who sell neat fuel or higher renewable content blends directly to end users qualify to participate fully in the system. Renewable fuel producers who sell directly to end users are employing a business model similar to that of petroleum refiners. To block their participation in the RFS program and RIN market would unjustifiably block competition in the fuel market.

Conclusion

In implementing a Quality Assurance Plan or any other proposed changes to the RFS, EPA should seek to ensure and improve the ability of small producers to participate in the fuels program. One of the key contemporary problems that EPA seeks to address is the inability of small producers to sell RINs. EPA should therefore seek to equalize the value of the RINs of small and large producers, through appropriate measures to further enable RIN traders to conduct due diligence. The EMTS system currently enables RIN traders to enforce due diligence by blocking trades from specific companies; EPA should ensure the final rule does not enable RIN traders to engage in anti-competitive behavior.

Small producers, in particular, are being asked to incur costly and duplicative reviews of their facilities in exchange for verified status for RINs. There is no guarantee in the proposed QAP that verified RINs will provide a return on those costs. Yet, there is the potential that competitors can force these costs on small producers as a condition for RIN trading, thereby increasing costs to an intolerable level.

In the case of cellulosic producers, the return on value of RINs is limited by a pre-existing market liquidity instrument, the cellulosic waiver credit, and the fact there is only one approved Option B QAP plan. Cellulosic producers in particular may be blocked from recouping the costs of participation in the program. Further, these producers are only now entering the RIN market and have been more intensely scrutinized by EPA and other participants in the RIN market. Appropriate regulatory relief from the QAP is justified for these producers through an exemption from the program. At the same time, if EPA implements measures that create tiered values for verified and unverified RINs and identify them in EMTS, EPA should exempt cellulosic and advanced producers by granting them verified status.

Alternatively, it would be appropriate to create an Option within the QAP for cellulosic and advanced producers to submit a QAP plan specific to their facilities. As part of this Option, producers could post a bond similar to that used by foreign refineries. This bond – in conjunction with existing measures that enable due diligence – would help to build confidence among RIN traders and enhance liquidity within the market for small producers.

Sincerely,

Brent Erickson

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Executive Vice President
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From: Brent Erickson
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From DomesticFuel.com:

IEA: Need Major Scale Up in Global Biofuels Production

Comment on this post Posted by Joanna Schroeder – April 17th, 2013

Today, the International Energy Agency (IEA) released their Tracking Clean Energy Progress report in New Delhi that details the increased role that biofuels will need to play in reducing greenhouse gases (GHG) as part of their Climate Change Scenario by 2020. The Global Renewable Fuels Alliance (GRFA) applauded this finding, stating that biofuels are already significantly reducing global GHG emissions.

According to the report, globally, the world is not on track to meet the IEA's goal of holding global climate change to a 2°C rise by 2020. According to the IEA's Energy Sector Carbon Intensity Index (ESCII) average CO2 emissions have only improved by 0.02 tonnes of CO2 per tonne of oil equivalent in the last 20 years. In Tracking Clean Energy Progress 2013order to reach the 2020 target the IEA recommended that annual biofuels production needs to more than double and advanced biofuels capacity must increase six-fold.

"Biofuels are the only real viable option available today to reduce emissions in the transportation sector," said Bliss Baker, spokesperson for the GRFA. "We agree with the IEA that biofuels offer real GHG emissions reductions today and that we must increase biofuel usage if we want to mitigate the impacts of climate change."

In order to facilitate this major scale up in global biofuels production, the IEA released some specific recommendations for governments in their report:

Lessen the risks for early investors through mechanisms such as loan guarantees, guaranteed premiums for advanced biofuels, or direct financial support for first-of-a-kind investments.
Targeted policy support for advanced biofuels is required to ensure large-scale deployment.
Monitor sustainability in feedstock production.

"Frankly, the GRFA is not surprised by these findings, despite the commitments from world leaders we are clearly struggling to reduce emissions in the transportation sector," concluded Baker.

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Subject: Arundo?

Paul: hear from a company that you guys were coming out with some more pathways but no Arundo is that right? Hope you are well.

Michael McAdams | Holland & Knight

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Eye on the EPA.PDF
RINs Talking Points 4.10.13.pdf
FA RIN factsheet 4.10.13.pdf

Brent E

Renewable Fuels Standard

And the problems that come with it...specifically gas prices

The Renewable Fuels Standard (RFS) mandates the minimum volumes of biofuels that must be blended into our nation's transportation fuel supply, and it does so on strict timetables. The RFS calls for annually-increasing amounts of advanced biofuels, biomass-based diesel, cellulosic ethanol, and conventional ethanol be blended by 2022, and the associated costs, namely higher prices at the pump, inevitably will be passed on to consumers.

Environment and Public Works Committee Republicans have pressed for answers and economic analysis of the RFS from Gina McCarthy, President Obama's nominee to lead the U.S. Environmental Protection Agency (EPA). McCarthy is currently the EPA Assistant Administrator for the Office of Air and Radiation.

Tier III Limits & Rising Gas Prices

In late March, EPA proposed new emissions limits for passenger cars and trucks and lower limits on the sulfur content of gasoline. The proposed standard will likely **raise the cost of gasoline** for consumers up to 9 cents per gallon, and, when combined with additional fuel regulations, fuel costs could increase even more.

Deadlines & Renewable Identification Numbers (RINs)

In order for manufacturers and refiners to meet RFS volumetric requirements, the industry's obligated parties must produce and/or purchase RINs, which are assigned to each gallon of renewable fuel and can be traded, used for compliance, or rolled over to the following year.

As renewable mandates increase each year and demand for transportation fuel decreases, refiners are forced to blend more biofuels into a gasoline and diesel pool that is further reduced by companies trying to minimize their RFS compliance obligation. As companies are forced to spend more money on purchasing RINs, **that extra cost will be passed to consumers**.

Rampant Fraud

EPA's website lists the companies that sell RINs. However, there is no finalized system in place that verifies whether these companies actually produce the gallons of fuels that the RINs are associated with.

This has led to producers relying on fraudulent RINs purchased from fake companies – that had been listed on the EPA website. When the companies were exposed as frauds, EPA held the producers responsible for purchasing illegitimate RINs, fined them for not being in compliance, and required them to purchase more RINs, **costing the companies millions of dollars**.

"Blend Wall" Challenges

Due to infrastructure constraints, low consumer demand, and the majority of engines not designed or warranted to operate using fuel with more than 10 percent ethanol (E10), a "blend wall" is in the process of being hit. EPA issued a waiver in 2012 to allow the introduction of 15 percent ethanol (E15), which is not approved for use in all engines therefore creating a situation ripe for "misfueling" and the voiding of manufacturers warranties. The inflated volumes of ethanol required to be blended and the volume of gasoline demand do not correspond. Market prices for ethanol RINs have skyrocketed at least in part due to the imbalance caused by the approaching "blend wall." Increased uncertainty in the RIN market, including unrealistic RFS mandates, recent fraud in the biodiesel RIN market, and decreased gasoline demand continues to drive up prices. **The volatility in this mandate-created market is passed along to consumers in the form of higher gasoline prices**.

RINs Talking Points

- **The oil industry is pulling in record profits, and that is contributing heavily to the gas price crisis. Refineries, too, are making record profits with record margins on each gallon of gasoline.**
  - Oil companies want to pull the wool over your eyes so no one notices how they're hurting consumers at the pump while making so much money.
- **Buying RINs is optional:** oil companies are electing to buy credits rather than open up the market to ethanol blends, thereby protecting their monopoly.
  - There is enough ethanol available for purchase right now, but the oil industry is taking a pass on renewable fuel, which is actually 65 cents *cheaper* than a gallon of gasoline today.
  - Why would the oil industry actually *spend* money to avoid buying a cheaper cleaner fuel? It's simple: the oil industry has elected to buy RINs from other refiners in order to block market access for ethanol.
  - Gas prices are high and volatile as a result of the oil industry's monopoly, and we can only lower and stabilize prices at the pump by increasing the share of renewable fuel that makes up each gallon of fuel.
- **Renewable fuel makes gasoline less expensive, not more.**
  - Ethanol lowers the cost gasoline by $1.09/gallon, and with higher blends like E15 exhaustively tested and ready for deployment, more savings are at our fingertips – if only the oil industry will let Americans have them.
  - The cost of RINs that the oil industry threatens to pass on to customers is just a fraction of a cent, and even with that minimal cost, ethanol still saves Americans money at the pump.
    - Under a worse-case scenario, that per-gallon cost for RINs would be a mere $0.0078
    - Blending ethanol reduces the cost of gasoline by 6 cents per gallon (it sells at a 60-cent discount); those savings far outweigh the fractional cost of RINs that the industry is threatening to pass through to consumers
- **RINs were heavily supported by the oil industry during the creation of the RFS because they wanted the flexibility that RINs would offer.**
  - API itself advocated for RINs in the past: "The flexibility in the RFS is vital in order to integrate ethanol into the gasoline pool as quickly and in the most effective way possible," said API spokeswoman Karen Matusic. [*Bush officials tout green credentials as EPA rolls out renewable rule* - The Oil Daily 4/11/2007]
  - A fully-functioning RIN market is one of several compliance mechanisms built into the RFS – that flexibility is part of what makes the policy work.

Blend Wall Talking Points

- Right now, it is very difficult to sell gasoline that is greater than 10% ethanol (E10) because the infrastructure, which is controlled by the oil industry, though inexpensive to create, does not yet exist. **This means there is a de facto mandate that 90% of your gasoline must be made of petroleum products.**
  - Oil companies have fought tooth and nail against the infrastructure improvements that will allow clean, inexpensive renewable fuel to penetrate the market in a way that would offer massive benefits to consumers. E15 is only available in a handful of gas stations around the country as a result.

- When the RFS was created, the ethanol industry was charged with making their product cost competitive—it is trading at $0.51 less per gallon than gasoline as of late March, 2013—and the oil industry was charged with updating the infrastructure to allow alternative types of fuel to enter the market. **They have not done this.**
  - **E15 or fuel that is 15% ethanol is the most tested fuel in history and is ready for the market.** But oil companies are slandering the fuel in an effort to stop more oil alternatives from entering the market.
- The RFS target for this year is 13.8 billion gallons of renewable fuel, and as in previous years, it's expected that companies (oil refiners and gasoline blenders) will use mostly ethanol to comply.
  - The renewable fuel industry estimates that there will be 12.5 billion gallons of ethanol available for compliance with the RFS; the remaining 1.3 gallons will need to be met with excess RINs. Estimates also show that between 2.3 and 2.5 billion RINs are available for companies to purchase – there is plenty to go around.
- What's more, the **average RIN price for the first two-and-a-half months of 2013 was just 32¢.** More recent price increases have attracted attention, but need to be looked at in context: the market for RINs is small and made up of largely oil companies trading to one another.
  - **There is little oversight, so the public can't know why the prices are going higher and if those increases are actually related to supply and demand dynamics.**
- With RINs holding under $1 each, and ethanol continuing to sell at a considerable discount to gasoline (as much as $0.60 less on average last year), there are lower-cost and flexible ways for companies to meet the RFS.

RIN Fraud Talking Points

- **RIN fraud is a temporary issue that is being addressed comprehensively. We cannot discount the entire RFS program because of a few bad, independent actors. EPA took action to punish those responsible, and our industry came together and worked with the EPA to find solutions and prevent this type of misuse.**
- **RIN fraud is not rampant.** There are only four cases of RIN fraud and are being punished accordingly. Two cases have been prosecuted, with one case being sentenced to almost 12.5 years of imprisonment. The EPA and FBI are currently investigating the remaining two cases.
- **The EPA is moving swiftly to prevent further fraud,** putting in place measures a proposed a rule that seeks to amend the renewable fuel standard (RFS) program to address the fraud and restore liquidity to the RINs market.
  - Prevention measures include:
    - Minimum requirements for Quality Assurance Programs, including verification of type of feedstocks, verification that volumes produced are consistent with amounts of feedstocks processed and verification that RINs generated are appropriately categorized and match the volumes produced;
    - Qualifications for independent third-party auditors;
    - Requirements for audits of renewable fuel production facilities, including minimum frequency, site visits, review of records and reporting;
    - Conditions under which a regulated party would have an affirmative defense against liability for civil violations for transferring or using invalid RINs;
    - Identification of the party or parties who are responsible for replacing invalid RINs with valid RINs and the timing of such replacement;
    - Replacement instruments or other mechanisms that would provide assurance that invalid RINs are replaced with valid RINs

RINs 101

The truth about Renewable Identification Numbers

The Renewable Fuel Standard (RFS)

The RFS - created in 2005 and updated in 2007 – promotes the development and use of clean, affordable renewable fuel by requiring oil companies to blend it into the gasoline supply. And the policy is working: renewable fuel now makes up 10% of the nation's fuel supply. Increasing America's renewable fuel use has kept gas prices lower by $1.09 per gallon, slashed U.S. spending on oil imports by $44 billion dollars last year alone and supported 87,000 jobs in 2012.

Renewable Identification Numbers (RINs)

Key to realizing those benefits is the flexibility of the RFS itself. The program has a number of measures that allow both the Environmental Protection Agency, which runs the RFS program, and the companies complying with the regulation to adjust and meet blending targets under changing circumstances.

RIN credits are one way that the RFS offers flexibility to companies as they work to meet the standard.

How do RINs work?

- **RINs are free** credits that refiners receive when they buy a gallon of renewable fuel, and companies turn over RINs at the end of the year to EPA to prove they have met the RFS target.
- After purchasing ethanol, **refiners can separate the RIN from the gallon and sell it on the open market**.
- Companies that have bought and blended more renewable fuel than is required will have **extra RINs to sell to other refiners.**
- A portion of those **credits can be "banked," or carried over into a new year**, further increasing the available supply of RINs.
- This means that **oil companies can choose how they want to comply with the RFS**: either by buying a gallon of renewable fuel or by purchasing a RIN on the open market, as long as they have enough RINs (remember, each is equal to one barrel of fuel) to hand over to EPA at the end of the year.

Today's RIN Market

The RFS target for this year is 13.8 billion gallons of renewable fuel, and as in previous years, it's expected that companies (oil refiners and gasoline blenders) will use mostly ethanol to comply. The renewable fuel industry estimates that there will be 12.5 billion gallons of ethanol available for compliance with the RFS; the remaining 1.3 gallons will need to be met with excess RINs. Estimates also show that between 2.3 and 2.5 billion RINs are available for companies to purchase – there is plenty to go around.

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